

Comprehensive Neighborhood Revitalization Fund

FAQs

What is CNRF?

The U.S. Department of Housing and Urban Development (HUD) recently developed and funded the *Neighborhood Stabilization Program* (NSP) to help revitalize and stabilize communities impacted by the foreclosure crisis. The purpose of NSP is to provide targeted assistance to state and local governments to acquire and redevelop abandoned or foreclosed homes and residential properties that might otherwise become sources of blight within their communities.

Through the NSP, HUD has allocated \$3.92 billion in Community Development Block Grant (CDBG) monies to communities and states nationwide, \$150 million of which was allocated to Indiana. About half of Indiana's allocation, approximately \$70 million, was distributed directly to 12 cities and counties in Indiana. The remaining \$83 million was allocated to the Indiana Housing and Community Development Authority (IHCDA) for distribution to eligible entities throughout the state.

IHCDA's Comprehensive Neighborhood Revitalization Fund (CNRF) will allocate \$50 million to Local Units of Government and Not-for-Profit entities through a competitive process. These funds will provide an opportunity for communities to significantly reduce blight in, and revitalize and strengthen targeted neighborhoods.

Who is eligible to apply for CNRF?

Eligible applicants are: 1) Indiana Local Units of Government (LUG), and 2) Not-for-Profit entities, as noted in the first sentence of 24 CFR 570.500(c), located in the areas designated by IHCDA as Indiana NSP Qualified Areas of Greatest Need. Applicants in Qualified Areas may seek funds for an area (block groups) within their jurisdiction or service area that is identified as being of greatest need.

The LUG may subcontract with either Not-for-Profit entities and/or for-profit corporations to administer, design, develop and/or implement proposed CNRF activities. Applicants are expected to identify a development team to plan and monitor implementation, which should include individuals with expertise and experience in successful community and economic development, project development and/or housing finance and development.

I don't see my community listed as an "area of greatest need." Does this mean we are not eligible for CNRF?

Congress was very clear that the purpose of this funding was to target those areas with the greatest exposure to foreclosures, subprime mortgages, delinquencies and defaults. In order to apply for CNRF, a LUG or NFP must be located in an IHCDA designated area of greatest need. IHCDA has determined areas of greatest need with the assistance of the Indiana University Center for Urban Policy and the Environment, using a combination of HUD-provided data and proprietary data available to IHCDA. For more information regarding the determination and the list of IHCDA Indiana NSP Qualified Areas of Greatest Need, please review the IHCDA NSP Substantial Amendment to Action Plan found at the following link: http://www.in.gov/ihcda/files/NSP_final.pdf

Is a match required?

No match is required. However, CDBG entitlement communities that receive a direct allocation from HUD and also apply for grants under the CNRF: (1) may not request an amount exceeding \$5,000,000 and (2) must demonstrate the ability to leverage at least 50% of the total project costs from another funding source.

What is the maximum award amount?

For an entitlement community that received a direct NSP allocation from HUD, the maximum award from state NSP funds would be \$5 million. For other communities located within a Qualified Area there is no maximum award amount.

What steps does a NFP organization or a LUG need to take in order to apply for CNRF?

First you must determine if you are located in and serve an IHCDIA Qualified Area of Greatest Need. If you are thinking of submitting a Letter of Intent you should attend one webinar session. A Letter of Intent to apply is due to IHCDIA's office no later than 5 p.m. January 9, 2009. The application is due March 13, 2009 by 5:00 p.m.

Can the LUG or NFP organization apply to IHCDIA for CNRF funds in addition to other IHCDIA funds?

Yes. Comprehensive neighborhood revitalization is the goal of CNRF. Therefore, IHCDIA will assist those LUGs and NFP entities that leverage other resources, including IHCDIA resources, to make their revitalization plans financially feasible, viable, and comprehensive. Other IHCDIA resources that may be made available are HOME funds, CDBG funds, Affordable Housing and Community Development Funds, and Low Income Housing Tax Credits. More detailed information about these funding sources can be found on our website:

<http://www.in.gov/ihcda/index.htm>

While separate applications for these funds will not be initially required for purposes of the CNRF application, a budget for each component of the proposed project will be required. Additionally, if the proposed project is awarded CNRF monies, then the applicant may be required to fill out additional applications if requesting other sources of IHCDIA funds.

Is there any way Community Foundations can help with these efforts?

Community foundations and local housing trust funds could be a great asset to a community's comprehensive plan. IHCDIA will not distribute NSP funds to community foundations, but we encourage applicants to talk with the private philanthropic sector, as well as your community's mayor or town council to discuss ways in which the community foundation can partner with the Local Unit of Government.

Are there any prohibitions against using CNRF as endowments?

Yes. NSP funds distributed by IHCDIA must be obligated to a specific property address by the end of July 2010. An endowment would not be an appropriate mechanism for obligating CNRF funds as required. Some communities are looking at land banking because it provides specificity (the land being banked has an address) and allows for long-term planning (the land can be banked for up to 10 years).

Will IHCDIA buy properties directly?

No.

I have a mortgage with a high interest rate. Will this benefit me?

CNRF awards will be granted through a competitive process to non-profit organizations and Local Units of Government in order to stabilize neighborhoods in Qualified Areas of Greatest Need. Although one factor used to identify Qualified Areas is whether the area has a high concentration of subprime related mortgage loans, NSP funds may not be used to refinance existing mortgages to prevent foreclosure. Individuals with high costs loans should consider contacting the Indiana Foreclosure Prevention Network at www.877GetHope.org.

Are these funds available on the front-end in order to assist persons who are on the verge of losing their homes?

No. NSP funds may not be used for refinancing or assisting with current mortgages or preventing foreclosure. Persons facing possible foreclosure should contact the Indiana Foreclosure Prevention Network at www.877GetHope.org. CNRF will be granted through a competitive process to non-profit organizations and Local Units of Government in order to stabilize neighborhoods in Qualified Areas of Greatest Need. A recipient of these funds could plan to offer funding to a person whose home has been foreclosed upon to buy back the same home or to a non-profit that will buy the foreclosed upon home and sell or lease it back to the original owner.

We have talked to consultants about services they can provide for the NSP application. What is the process and requirements for hiring a consultant?

If an applicant hires a consultant to assist with the NSP application and an award is made, the applicant may seek reimbursement for its pre-agreement planning and administrative costs. To be reimbursable, pre-agreement costs must meet the requirements of 24 CFR §570.200(h), 570.206, applicable OMB cost principles, and must have been necessary to undertake the administrative and planning activities needed to apply for and receive the CNRF grant. Any contract for services that an applicant enters in relation to the CNRF must be procured using procedures that conform to local, state, and federal laws and regulations relating to public contracting that provides full and open competition including, but not limited to, the standards set out in 24 CFR §85.36.

Can CNRF monies be used on brownfield sites?

A brownfield is defined in Ind. Code §13-11-2-19.3 in terms that are broader than the types of property for which NSP funds may be used for redevelopment. It is possible that a brownfield site might contain blighted structures that could be demolished, or vacant or demolished properties that could be redeveloped using CNRF funds. Before such activities could be undertaken, however, the project would have to undergo the Environmental Review Process described in 24 CFR Part 58. Such reviews might delay the use of NSP funds by the applicant, which could lead to IHCD re-allocating the funds so they can be used in accordance with the NSP timetable.

Are NSP funds limited to purchasing abandoned or foreclosed upon homes or can these funds be used to acquire otherwise vacant properties?

Although NSP funds cannot be used to purchase vacant property, they can be used for redevelopment of vacant or demolished property. The property would have to be acquired with funds from a different funding source.

What constitutes "demolished or vacant properties" that can be redeveloped using NSP funds?

In order for a property to be "redeveloped," it must have been previously developed and is now vacant. Raw land would not be eligible for redevelopment. The applicant whose plan includes redevelopment must demonstrate that the targeted property has been previously developed. For example, the applicant could point to vacant buildings or infrastructure improvements such as roads, water, sewer, power lines, etc. However, land that has been farmland, open space, or wilderness would not be eligible for redevelopment. IHCD would consider redevelopment of a property that was once a factory and has been idle for 20 years, but would question a site in which the previous development was demolished 100 years ago and the property has lain fallow ever since.

Will you accept more than one "letter of intent" for an identified area of greatest need in a Qualified Area?

Yes, IHCD will allow two Letters of Intent to be submitted from the same geographic area. However, IHCD will not accept two proposals for the same geographic area—we encourage local units of government and not-for-profits to coordinate their efforts and submit a joint proposal.

Can sidewalks be considered as part of the redevelopment?

Although public facilities and improvements, such as sidewalks, may be considered part of redevelopment under CDBG, an applicant would need to demonstrate how installation or improvement of sidewalks in a neighborhood would further stabilize housing for the benefit of persons whose incomes are at or below 120% of AMI.

What constitutes evidence of leveraging other than city leveraging? Is a letter of interest enough?

A letter of interest or commitment with as much backup documentation as possible would suffice.

With your timeline and the holidays falling between today and January 9th, how can an LUG or NFP group competitively procure a project team with whom to work?

For the purpose of the Letter of Intent, IHCD is viewing the project team/development team or collaborative partnership as a means to determine community capacity and synergy. Therefore, once NSP funding is awarded to the LUG or NFP it will be up to the fiduciary agent named in the application to determine any necessary procurement requirements.

Does a Not-for-Profit need to have a 501(c)(3) status?

Please refer to the second question of this FAQ for the definition of non-profit eligibility as an applicant. As long as the lead applicant is a LUG or eligible non-profit, additional members of the development team can be for-profit or non-profit entities.

If several answers to the questions on the Letter of Intent Attachment F are not determined, may we note this and proceed with submitting the Letter of Intent by the January 9th deadline?

Yes, you may proceed with submitting the Letter of Interest. The crucial information will be the project description and estimated amount of request.

Will you accept more than one application from an entitlement area if the applications are from different geographic areas of need?

Yes.

How do you define geographic area of need?

A geographic area can be defined by census blocks, neighborhood, zip code or any combination that is listed as an eligible area on the NSP Greatest Area of Need Map.

Are there any specific restrictions or guidelines if the entity applying is not the local unit of government, but is a not-for-profit?

No.

Does the \$5,000,000 cap apply to the geographic area of need, the entitlement area, to each applicant, or a combination of these?

The \$5,000,000 cap applies to Entitlement Areas that have received a direct NSP allocation. Although separate applicants within an entitlement community can apply for up to the \$5,000,000 cap of NSP funds, IHCD will limit its total allocation to \$5,000,000 within entitlement communities that received a direct NSP allocation from HUD.

UPDATED 12/30/08

It is my understanding that the only two items needed by January 9th are:

1. *A letter of intent*
2. *Attachment F: letter of intent information sheet*

As the process continues we will submit the budgets and sources and uses, but that is not needed on January 9th.

On attachment F, we are to list a "Fiduciary Agent." Are you looking for a title company or the CDC or something else?

You are correct regarding what is required for the January 9th date. The "Fiduciary Agent" is the entity that will be contracting with, and drawing down NSP funds from IHCD.

Could we use NSP funds to rehab units that are occupied but in bad condition?

NSP funds cannot be used for owner occupied rehabilitation.

Does the applicant (LUG) have to have ownership of a property in order to use NSP dollars to demolish the property (being that it is blighted)? Can a property owner agree to allow the property to be demolished and retain ownership of the property? If so, would there be a lien placed on the property, to protect the grant funds from being profited at resale?

An applicant could demolish a blighted property that it does not own. There are no requirements that a lien be placed on the property after demolition. However, any provision that would recapture funds from property owners and ensure that no undue profit is made would be a favorable situation to IHCD.

Can NSP funds be used to rehabilitate a former commercial property that is now owned by the City so that the property will function as a welcoming and information center for new homebuyers and renters, as well as existing residents and other interested stakeholders (provided that the welcoming center is clearly part of the comprehensive revitalization strategy)?

Similarly, can NSP funds be used to support the rehabilitation of a vacant public library (a registered historic landmark) and its conversion into a performing arts center (provided this historic rehab and performing arts center creation is clearly part of a comprehensive neighborhood revitalization strategy)?

NSP funds may be used for redevelopment of vacant or demolished properties into public facilities, as long as the redevelopment will benefit all residents of a primarily residential area in which at least 51% of the residents have incomes at or below 120% of AMI. Of course, the area being redeveloped would need to be located within a qualifying area of greatest need identified by IHCD in its substantial amendment.

UPDATED 1/7/09

The NSP Amendment states that administrative fees will be shared with 2% to IHCD and 8% to CNRF grantees. The RFP then states "administration costs for CNRF may be charged to the grant at up to 10% of the total amount of funds received." So would the applicant be able to charge a 10% or 8% administration fee?

The NSP Amendment states that "With the CNRF, it will be possible for project sponsors to receive a reasonable developer fee." Are there any specific guidelines for developer fees in new construction and acquisition rehab? Also I was assuming that the developer fees are fully separate from the 10% for administration cost guidelines. Is this correct?

Applicants can request up to 10% in administrative cost for the CNRF. The NSP Substantial Amendment refers to the entire NSP award of \$83M when discussing the split of 2% for IHCD and 8% for applicants. Because \$33M of the funding is reserved for the Market Stabilization Program it is anticipated that up to \$5M in administrative cost will be available for grantees under the CNRF.

You are correct in that the developer fees are separate from administrative cost. IHCD is not providing specific recommendations regarding reasonable developer fees. However, IHCD will evaluate proposals based on the reasonableness of administrative cost and developer fees according to industry standards.

Are you expecting to fund permanent supportive housing with NSP, and if so, what specific costs for permanent supportive housing are eligible for NSP funding?

Yes, IHCD expects to use NSP funds for permanent supportive housing along with other funds available to support the State of Indiana's Permanent Supportive Housing Initiative. Provided that the PSH will be located in an area of greatest need, any of the NSP eligible uses could be employed in connection with the supportive housing. For example, new construction is an eligible activity under Eligible Use E, as is acquisition and rehabilitation of foreclosed upon or abandoned homes or residential property (Eligible Use B). Either of these uses could be undertaken for the benefit of individuals with special needs, such as persons with mental health or substance abuse issues. Using NSP funds in this manner would also likely fulfill the requirement that a portion of NSP funds benefit those with incomes at or below 50% AMI.

A recipient could also redevelop an abandoned property (Eligible Use E) into multifamily rental housing, single-family rental, or congregate housing to be owned and operated by a not-for-profit as permanent supportive housing. The owner could provide supportive services at the site and some of those services might be eligible costs under NSP (e.g. housing counseling for prospective tenants), but the real advantage of using NSP funding in a PSH project would be the likelihood of eliminating debt to be serviced, thereby freeing up funds for the relatively high costs of operating PSH. NSP funds may not be used to cover the expenses of operating the rental housing (such as maintenance, insurance, cash flow deficits, and tenant-based rental subsidies).

Within our proposed project area, there are privately owned fenced parking lots. They are underused or unused. Would these parking lots qualify as "vacant" land for the purposes of NSP eligible redevelopment activities?

A vacant property under Eligible Use E can either be vacant land or vacant buildings on the land. Neither HUD nor IHCD has imposed any specific standard on how long a property has to be vacant in order to qualify for redevelopment under Eligible Use E. It will be up to the applicant to demonstrate that the property in question is in fact "vacant," just as it is up to the applicant to show that the property was previously "developed" so that it can be "redeveloped."

Would a vacant, former nursing home that was foreclosed upon by a city for back taxes qualify as residential property for the purposes of utilizing NSP funds for a non-profit to acquire it from the city and redevelop it into affordable rental housing?

A nursing home is not considered residential property, but it could be redeveloped (not acquired) using NSP funds under Eligible Use E, if it is part of a qualified area's comprehensive plan.

What will the annual reporting requirements be for rental property owners to report on income, expenses, and program income?

Reporting requirements for rental properties will be monthly during construction and for as long as HUD requires us to do monthly reports on the NSP money and program income.

Will you post a list on your website of the Letters of Intent received, proposed activities, and estimated funding requests?

We have not yet made a determination regarding the posting of information from the Letters of Intent.

Can CNRF funds be used to purchase, redevelop and/or demolish commercial property?

CNRF funds cannot be used to purchase and/or acquire commercial property. NSP funds can be used to redevelop an existing commercial property depending on the end use of the property (i.e. if the end use will be for future residential use or a HUD-defined public use). NSP funds can be used to demolish commercial property as long as the property meets the definition of blighted.

UPDATED 1/13/09

Under CNRN, does residential property include duplexes or multiplexes in addition to single family homes?

Yes, a residential property is considered any structure that is zoned residential.

We are a PHA and are willing to place Section 8 project based vouchers in the NSP purchased properties if awarded. Would the rental assistance count as leverage in terms of sustainability?

No, rental assistance would count as revenue. Leverage would be defined as funds used to redevelop the property.

Should the applicant already have the individuals structures determined for purchase/rehab when submitting the budget, or can it be vague using square footage numbers to ascertain a completed pro-forma?

Determining the specific structures is not a requirement. However, to evaluate capacity, funding, and compliance requirements, determining specific structures would be beneficial.

Would blighted structures have to be abandoned or foreclosed upon?

No, blighted structures are eligible for demolition using NSP funds.